



CHAPTER 04

AUDITED STATEMENTS AND RELATED FINANCIAL INFORMATION

4. Chapter 4 [Audited Statements and related Financial Information]

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4.1 - Annual Financial Statements for year ended 30 June 2008

I am responsible for the preparation of these annual financial statements, which are set out in this report, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 18 of these annual financial statements are within the upper limits of the frameworks envisaged on Section 219 of the Constitution, read with the Remuneration of Public Offices Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



T H Kubheka
Municipal Manager

29/08/2008
Date

4.2 - Accounting Policies To The Annual Financial Statements For The Year Ended 30 June 2007

1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of:

- General Notice 991 and 992 of 2005, issued in Government Gazette of 7 and 15 December 2005;

The Standards comprise of the following:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GAMAP 4	The Effects of Changes in Foreign Exchange Rates
GAMAP 6	Consolidated Financial Statements and Accounting for Controlled Entities
GAMAP 7	Accounting for Investments in Associates
GAMAP 8	Financial Reporting of Interests in Joint Ventures
GAMAP 9	Revenue
GAMAP 12	Inventories
GAMAP 17	Property, Plant and Equipment
GAMAP 19	Provisions, Contingent Liabilities and Contingent Asset
GAMAP 6,7 & 8	Have been complied with to the extent that the requirements in these standards relate to the municipality's separate financial statements.

Accounting policies for material transactions, events or conditions not covered by the above GRAP and GAMAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

The Minister of Finance has, in terms of General notice 552 of 2007 exempted compliance with certain of the above mentioned standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality have been provided in the notes to the annual financial statements.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand.

3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

4 OFFSETTING

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GAMAP, GRAP OR GAAP.

5 RESERVES

5.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR. A corresponding amount is transferred to a designated CRR bank or investment account. The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/ (deficit) are credited by a corresponding amount when the amounts in the CRR are utilised.

The amount transferred to the CRR is based on the municipality's need to finance future capital projects included in the Integrated Development Plan.

5.2 Capitalisation Reserve

On the implementation of GAMAP/GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment have been transferred to a Capitalisation Reserve instead of the accumulated surplus/ (deficit) in terms of a directive (budget circular) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/ (deficit).

The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus/ (deficit).

When an item of property, plant and equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus/ (deficit).

5.3 Government Grant Reserve

When items of property, plant and equipment are purchased from government grants, a transfer is made from the accumulated surplus to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus. The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/ (deficit).

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/ (deficit).

5.4 Donations and Public Contributions Reserve

When items of property, plant and equipment are purchased from public contributions and donations, a transfer is made from the accumulated surplus to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus. The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

When an item of property, plant and equipment financed from donations and public contributions is disposed, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus/ (deficit).

6 PROPERTY, PLANT AND EQUIPMENT

6.1 Fixed Assets

Property, plant and equipment comprise tangible item that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and are expected to be used during more than one period.

Property, plant and equipment, is stated at cost, less accumulated depreciation and impairment losses.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Subsequent expenditure relating to property, plant and equipment is capitalized if it is probable that future economic benefits or potential service delivery of the asset are enhanced in excess of the originally assessed standard of performance. If expenditure only restores the originally best estimate of the expected useful life of the asset, then it is regarded as repairs and maintenance and is expensed.

6.2 Depreciation

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. The depreciable amount of an asset is the cost of an asset less its residual value. Residual value is the estimated amount an entity would currently obtain from disposal of the asset, if the asset were already of the age in the condition expected at the end of the useful life.

Depreciation is charged to the Statement of Financial Position so as to write off the depreciable amount of the assets, other than land, over their estimated useful lives. The depreciation rates are based on the following estimated useful lives: - (In more detail in accordance with Council's Asset Management Policy)

Details	Years	Details	Years
Infrastructure		Other	
Rivers and Coastal Engineering		Buildings	30
Roads and Motorways	10-15	Markets and Informal Markets	30
Economic Development		Fire Engines	20
Traffic Equipment	5	Landfill Sites	30
Storm water Drainage	20	Car Parks	20
Airport Infrastructure	20	Lifts	
Solid Waste	30	Building Improvements	30
Water and Sanitation	20	Heavy and Mobile Plant	10-15
Major Substations: Buildings	30	Furniture and Fittings	7-10
Transformers and Related Equipment	20	Vehicles	5-7
Mains	20	Bins and Containers	5-10
Street Lighting	25	Plant – General	2-5
		Security Systems	3
Community		Office Equipment	3-7
Buildings	30	Other items of Plant and Equipment	2-5
Recreational Facilities	30		

The useful life of an item of property, plant and equipment is reviewed periodically and, if expectations are significantly different from previous estimates, the depreciation charge from the current and future periods shall be adjusted

These estimated useful lives and depreciation methods was not reviewed in the current year as required by GAMAP 17 as these requirements have been exempted in terms of Government Gazette 30013 of 29 June 2007.

6.2.1 Land

Land is not depreciated as it is regarded as having an infinite life.

6.2.2 Heritage Assets

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to uncertainty regarding to their estimated useful lives.

6.3 Disposal of property, plant and equipment

- The book values of assets are written off on disposal.
- The difference between the net book value of assets (cost less accumulated depreciation) and the sales proceeds is reflected as a gain or loss in the Statement of Financial Performance.

6.4 Impairment

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it should be written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance. The municipality should assess at each reporting date whether there is any indication that any items of PPE may be impaired by reviewing external and internal sources of information which indicates that impairments may have occurred.

For the current year, the municipality did not perform impairment testing on its assets as required by GAMAP 17 and IAS 36/AC128, as these requirements have been exempted in terms of Government Gazette 30013 of 29 June 2007.

7 FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorized as either *Financial Assets* or *Financial Liabilities*.

7.1 Financial Assets:

A financial asset is any asset that is a cash or contractual right to receive cash. The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Investments in Fixed Deposits
- Long-term Receivables
- Consumers Debtors
- Other Debtors
- Short-term Investment Deposits
- Bank Balances and Cash

In accordance with IAS 39.09 the Financial Assets of the municipality are classified as follows into the *three* categories allowed by this standard:

Type of Financial Asset	Classification in terms of IAS 39.09
Investment in Fixed Deposits	Held to maturity
Long-term Receivables	Loans and receivables
Consumers Debtors	Loans and receivables
Other Debtors	Loans and receivables
Short-term Investment Deposits	Held to maturity
Bank Balances and Cash	Available for sale

7.2 Financial liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Long-term Liabilities
- Provisions
- Creditors
- Bank overdraft
- Current Portion of Long-term Liabilities
- Defined Benefit Obligations
- Consumer Deposits
- VAT

There are two main categories of *Financial Liabilities*, the classification based on how they are measured. Financial liabilities may be measured at:

- Fair value through profit or loss; or
- Not at fair value through profit or loss (other financial liabilities)

Financial liabilities that are measured at fair value through profit or loss are financial liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives)

Any other financial liabilities should be classified as financial liabilities that are not measured at fair value through profit or loss

In accordance with IAS 39.09 the *Financial Liabilities* of the municipality are all classified as financial liabilities that are not measured at fair value through profit or loss.

Creditors

Creditors are stated at their nominal value.

7.3 Measurement

Financial Instruments are in the current and prior years recognized and measured at cost.

The requirement of IAS 39.43, AG 64, AG 65, AG 79 and SAICA Circular 9 that financial instruments should initially be measured at fair value has been exempted in terms of Government Gazette 30013 of 29 June 2007.

Financial Assets:

- a) Held-to-maturity investments-

- Are measured at amortised cost less any impairment losses recognized to reflect irrecoverable amounts.
- b) Loans-and-receivables, which include trade receivables, are measured at amortised cost less impairment losses, which are recognized in the Statement of Financial Performance.
- c) Financial assets at fair value-
Are measured at fair value with the profit or loss being recognized in the Statement of Financial Performance.
- d) Available-for-sale-
Are measured at fair value with the profit or loss being recognized in the Statement of Financial Performance. Cash and cash equivalents are measured at fair value, with changes in fair value being recognised in the Statement of Financial Performance.

7.4 Impairment of Financial Assets

For the current year, the municipality did not perform impairment testing on its financial assets as required by GAMAP 17 and IAS 39, as these requirements have been exempted in terms of Government Gazette 30013 of 29 June 2007.

Consumer Debtors:

Consumer debtors are stated at cost less a provision for bad debts. The provision is made for all debtors that are older than 90 days as all debtors are regarded as having similar credit risk.

8 INVENTORIES

Consumable stores, raw materials, work-in-progress, unused water and finished goods are stated at the lower of cost and net realisable value. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

In general, the basis of determining cost is the first-in, first-out method.

If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and current replacement cost.

Water and purified efficient are valued at purified cost insofar as it's stored and controlled in reservoirs at year-end.

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

9 REVENUE RECOGNITION

Revenue shall be measured at the fair value of the consideration received or receivable. No settlement discount is applicable.

Revenue for the current year was initially recognised at cost in terms of Government Gazette 30013 of 29 June 2007.

9.1 Revenue from Exchange Transaction

9.1.1 Service Charges

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

9.1.2 Pre-paid Electricity.

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale.

9.1.3 Interest earned.

Interest and rentals are recognised on a time proportion basis.

9.1.4 Dividends and Royalties.

Dividends and royalties are recognised on the date that the municipality becomes entitled to receive the dividend or royalty in accordance with the substance of the relevant agreement, where applicable.

9.1.5 Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licenses and permits.

9.1.6 Income from Agency Services

Income from agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

9.1.7 Sale of Goods

Revenue from the sale of goods shall be recognised when all the following conditions have been satisfied:

- The municipality has transferred to the purchaser the significant risks and rewards of ownership of goods,
- The entity retains neither continuing managerial involvement to the degree associated with ownership nor effective control over the goods sold
- The amount of revenue can be measured reliably
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The cost incurred or to be incurred in respect of the transaction can be measured reliably.

9.1.8 Government Grants and Public Contributions:

Revenue from Government Grants and Public Contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment when such items of PPE is brought into use. Where government grants and public contributions have been received but the municipality has not met the condition, a liability is recognised.

The requirements of IAS 20 (excluding paragraphs 24 and 26) have not been met in the current and prior financial years as these requirements have been exempted in terms of Government Gazette 30013 of 29 June 2007.

A government grant related to a non-current asset with a useful life (e.g. PPE, intangible assets, etc.) including non-monitory grants at fair value, are presented in the statement of financial position as deferred income that is recognised as income on a systematic and rational basis over the useful life of the asset.

9.1.9 Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

9.1.10 Fines

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

9.1.11 Donations and Contributions

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of PPE are brought into use. Contributed PPE are recognised when such items of PPE are brought into use.

9.2 Revenue from Non-exchange Transactions

9.2.1 Revenue from Recovery of Unauthorised, irregular, fruitless and wasteful expenditure

Revenue from the recovery of unauthorized, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or is virtually certain. Such revenue is based on legislated procedures.

10 CONDITIONAL GRANTS AND RECEIPTS

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

11 PROVISIONS

A provision is a liability of uncertain timing or amount.

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made.

Provisions are reviewed at reporting date and adjusted to reflect the current best estimate.

12 POST-EMPLOYMENT BENEFITS

Defined Contribution plans are benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Obligations for contributions to defined contribution plans are recognised as an expense in the income statement as incurred.

Post employment medical care benefits are provided by the municipality to its employees and their legitimate spouses. The entitlement to post-retirement medical benefits is based on employees remaining in service up to retirement age and the completion of a minimum service period. The amount recognised in the balance sheet represents the present value of the defined contribution obligation. The amount is discounted by using the market related interest rate at the balance sheet date.

13 LEASES

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred. Leases are classified as finance or operating leases at the inception of the lease.

13.1 In the capacity as Lessee

Rental payable under operating leases are recognised on the straight-line basis over the term of the relevant lease.

Operating lease rentals have not been recognised on the straight-line basis over the term of the relevant lease as required by IAS 17 as these requirements have been exempted in terms of Government Gazette 30013 of 29 June 2007.

14 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality. Contingent assets are not recognised as assets.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality, or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are not recognised as liabilities.

15 BORROWING COSTS

Borrowing costs are recognised as an expense in the Statement of Financial Performance.

16 VALUE ADDED TAX

The Municipality accounts for Value Added Tax on the cash basis.

17 CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

18 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

19 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

20 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

21 FOREIGN CURRENCIES

The functional currency of the municipality is based on the currency of the primary economic environment in which the municipality operates. Transactions in foreign currencies are initially recorded at the prevailing exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in such foreign currencies are retranslated at the rates prevailing at the reporting date. Exchange differences are included in the Statement of Financial Performance.

22 COMPARATIVE INFORMATION

22.1 Current year comparatives:

Budgeted amounts have been included in the annual financial statements for the current financial year only.

22.2 Prior year comparatives:

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed

4.3 - Statement of Financial Position at 30 June 2008

NET ASSETS AND LIABILITIES	Note	2008 R	2007 R
Net Assets		214 629 388	203 271 609
Capital Replacement Reserve	27	1 780 540	1 389 816
Capitalisation Reserve	27	58 446 868	62 310 709
Government Grant Reserve	27	135 246 275	122 341 641
Accumulated Surplus/(Deficit)	28	19 155 705	17 229 443
Non-Current Liabilities		10 108 946	8 017 738
Long-term Liabilities	1	1 518 482	2 222 314
Post retirement medical benefit obligation	31	8 590 464	5 795 424
Current Liabilities		38 503 674	33 217 281
Consumer Deposits	2	4 460 018	4 207 277
Provisions	3	956 719	349 235
Creditors	4	21 677 475	20 238 859
Unspent Conditional Grants & Receipts	5	10 694 459	7 682 868
Current Portion of Long-term Liabilities	1	715 003	739 042
Total Net Assets & Liabilities		263 242 008	244 506 628
ASSETS			
Non-current Assets		197 692 173	192 471 447
Property, Plant & Equipment	6	192 618 563	182 361 597
Investments	7	5 000 000	10 000 000
Long-term Receivables	8	73 610	109 850
Current Assets		65 549 835	52 035 181
Inventory	9	10 291 358	10 826 102
Consumer Debtors	10	40 241 815	27 389 396
Other Debtors	11	7 975 161	6 325 715
Current portion of long-term receivables	8	435 771	538 682
Call Investment Deposits	12.1	3 604 065	3 604 065
Bank Balances and Cash	12	3 001 665	3 351 221
Total Assets		263 242 008	244 506 628

4.4 - Statement of Financial Performance for the year ended 30 June 2008

		Actual	
	Note	2008 R	2007 R
REVENUE			
Property Rates	13	28 239 542	27 804 968
Service Charges	14	84 592 827	78 114 752
Un-earned finance charges	14.1	3 520 704	2 826 426
Government grants and subsidies	15	71 198 578	68 474 679
Fines		533 132	838 231
Interest earned - external investments		1 955 548	1 372 014
Interest earned - outstanding debtors		8 500 685	8 615 920
Rental of facilities and equipment		1 086 596	1 099 261
Licenses and permits		1 913 095	1 478 931
Income for Agency services		2 454 994	2 278 118
Gains on disposal of PPE		1 064 551	932 738
Other Income	16	4 591 082	9 752 815
Total revenue		209 651 334	203 588 853
EXPENDITURE			
Employee related costs	17	78 094 386	66 848 704
Remuneration of Councillors	18	5 926 006	6 198 183
General Expenses		28 587 341	23 410 975
Interest paid	19	325 215	229 955
Bulk purchases	20	35 145 410	35 276 610
Contracted Services		12 339 679	10 640 505
Collection costs		469 172	0
Repairs and Maintenance		10 213 630	7 164 162
Depreciation		15 654 322	15 214 730
Provision for bad debts		10 147 341	8 572 545
Provision for leave		607 484	2 415 000
Loss on disposal of PPE		241 213	0
Contributions to / (from) provisions		2 795 040	3 141 763
Total Expenditure		200 546 239	179 113 132
SURPLUS/(DEFICIT) FOR THE YEAR		9 105 095	24 475 721

Refer to Appendix E(1) for explanation of variances

4.5 - Statements Of Changes In Net Assets For The Year Ended 30 June 2008

	Pre-GAMAP Reserves & Funds	Housing Development Fund	Capital Replacement Reserve	Capitalisation Reserve	Government Grant Reserve	Donations & Public Contribution Reserve	Self-Insurance Reserve	Revaluation Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R	R	R	R	R	R	R	R
Balance on 1 July 2006			641 246	67 613 572	102 420 867	0	0	0	7 315 470	177 991 155
Surplus / (deficit) for the year									24 475 721	24 475 721
Transfer to provision for bad debts										0
Transfer from accumulated surplus to Inventory - Unsold water reserves									44 062	44 062
Transfer to CRR			3 369 713						-3 369 713	0
Property, plant and equipment purchased			-2 621 143						2 621 143	0
Capital grants used to purchase PPE										0
Donated/contributed PPE					28 970 968				-28 970 968	0
Asset disposals									-1 475 483	-1 475 483
Offsetting of depreciation				-5 302 863	-9 050 194				14 353 057	0
Balance at 30 June 2007	0	0	1 389 816	62 310 709	122 341 641	0	0	0	14 993 289	201 035 455
Correction of Error <i>Refer to note 14</i>									-553 089	-553 089
Amortization of future discounting on debtors:2005/6									2 236 154	2 236 154
Amortization of future discounting on debtors:2006/7 <i>(Previous year discounted from debtors balance not part of book entries and trial balance)</i>									2 702 336	2 702 336
Restated balance	0	0	1 389 816	62 310 709	122 341 641	0	0	0	19 378 690	205 420 856
Surplus / (deficit) for the year									9 105 095	9 105 095
Transfer from accumulated surplus to provision for bad debts										
Transfer from accumulated surplus to Inventory - Unsold water reserves									103 437	103 437
Transfer to CRR			4 203 794						-4 203 794	0
Property, plant and equipment purchased			-3 813 070						3 813 070	0
Capital grants used to purchase PPE										
Donated/contributed PPE					22 892 521				-22 892 521	0
Asset disposals										0
Offsetting of depreciation				-3 863 841	-9 987 887				13 851 728	0
Balance at 30 June 2008	0	0	1 780 540	58 446 868	135 246 275	0	0	0	19 155 705	214 629 388

4.6 - Cash Flow for the year ended 30 June 2008

	Note	2008 R	2007 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		189 664 254	193 407 723
Cash paid to suppliers and employees		170 930 962	151 896 198
Cash generated from (utilised in) operations	22	18 733 292	41 511 525
Interest received		1 955 548	1 372 014
Interest paid		-325 215	-229 955
NET CASH FROM OPERATING ACTIVITIES		20 363 625	42 653 584
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		-26 705 591	-33 422 674
Proceeds on disposal of PPE		1 328 389	932 737
(Increase) Decrease in non-current receivables		139 151	619 049
(Increase) Decrease in non-current investments		0	4 042
(Increase) Decrease in call investment deposits		0	3 500 000
(Increase) Decrease in fixed deposits		5 000 000	-10 000 000
NET CASH FROM INVESTING ACTIVITIES		-20 238 051	-38 366 846
CASH FLOWS FROM FINANCING ACTIVITIES			
New Loans raised (repaid)		-727 871	1 257 301
Increase in consumer deposits		252 741	405 561
NET CASH FROM FINANCING ACTIVITIES		-475 130	1 662 862
NET DECREASE IN CASH AND CASH AND EQUIVALENTS		-349 556	5 949 600
Cash and cash equivalents at beginning of the year		3 351 221	-2 598 379
Cash and cash equivalents at the end of the year	23	3 001 665	3 351 221

4.7 - Notes to the Financial Statements for the year ended 30 June 2008

			2007	2008	
1	Long-Term Liabilities				
	Annuity loans		2 233 485	2 961 356	
		Sub-Total	2 233 485	2 961 356	
	Less : Current Portion transferred to Current Liabilities		715 003	739 042	
	Local Registered Stock		-	-	
	Annuity loans		715 003	739 042	
	Total External Loans		1 518 482	2 222 314	
2	Consumer Deposits				
	Electricity and Water		4 460 018	4 207 277	
	No interest is paid on deposits held				
3	Provisions				
	Leave Reserve		956 719	349 235	
		Total Provisions	956 719	349 235	
	The movement in current provisions are reconciled as follows:				
	30 June 2007	Audit Fees		Leave Reserve	Bad Debts
	Balances at beginning of year	-		61 340	107 132 819
	Contribution to provisions	-		2 415 000	8 572 545
	Additional contribution				
	Expenditure incurred	-		(2 127 105)	(162691)
	Balance at end of year	-		349 235	115 542 673
	30 June 2008	Audit Fees		Leave Reserve	Bad Debts
	Balances at beginning of year	-		349 235	115 542 673
	Contribution to provisions	-		2 596 125	10 147 341
	Expenditure incurred	-		(1 988 641)	(5169)
	Balance at end of year	-		956 719	125 684 845
4	Creditors				
	Trade creditors			10 982 148	11 209 028
	Payments received in advance			5 482 169	3 779 479
	Retentions			1 237 654	308 558
	Provincial Government - Vehicle Licenses			370 271	821 379
	Salary electronic payments in July 2007			1 409 851	1 812 068
	Sesifuba Hospital			168 727	-
	VAT Credit balance (Note 4.1)			943 346	-
	Other			1 083 309	2 308 347
	Total Creditors			21 677 475	20 238 859
4.1	VAT				
	Opening balance			182 862	(780748)
	Current year input VAT			10 945 626	10 725 631
	Current year output VAT			(11 888 972)	(10 542 769)

	Amount paid (received) - previous years			(182 862)	780 748
	Closing balance (Dt balance to note 11)(Cr balance to note 4)			(943 346)	182 862
5	Unspent Conditional Grants And Receipts				
5.1	Conditional Grants (App. F)				
				10 694 459	7 682 868
	Training Grant (Seta)			-	852 691
	Finance Management Grant			-	482 943
	LG Support Grant previous year			-	23 364
	LG Support Grant 05/06			-	10 459
	LG Support Grant 06/07			-	464 811
	TB Hospital capital grant			293 799	293 799
	Sewer capital grant (Dept. LG & H)			1 550 438	794 508
	Tractor & trailer for refuse (GSDM)			-	5 544
	Drought Relief (DWAF)			530 789	30 789
	Sport fields capital grant			-	21 925
	Electricity ext. 32 - DME			873 311	21 644
	MIG Capital			7 268 791	4 168 815
	Computers grant private			-	1 234
	Salary subsidy from DPLG			-	148 721
	Operational Subsidy for PMU unit - MIG			-	361 621
	Cleanest town competition allocation			177 331	
6	Property, Plant And Equipment				
	(See separate note for detail)				
7	Investments				
	Listed Investments				
	Financial Instruments				
	Fixed deposits			5 000 000	10 000 000
	Total Investments			5 000 000	10 000 000
8	Long Term Receivables				
	Vehicle Loans			269 214	303 501
	Stand Loans			206 977	311 841
	Study Loans			33 190	33 190
	Total			509 381	648 532
	Less : Current portion transferred to current receivables			435 771	538 682
	Vehicle Loans			269 214	301 986
	Stand Loans			133 367	203 506
	Study Loans			33 190	33 190
	Total			73 610	109 850
9	Inventory				
	Consumables stores at cost (Electrify stock included)			4 319 945	3 893 303
	Diesel at refuse dump site			95 590	15 818

Diesel at Breyten workshop			15 054	
Unsold water reserves (Refer to note 31.2)			250 529	147 091
Unsold erven (Refer to note 31.2)			5 610 240	6 769 890
Total Inventory			10 291 358	10 826 102

Water purification cost as well as cost of water purchases has been included to Calculate the value of unsold water reserves.

10 Consumer Debtors

30 June 2007	Gross Balances		Provision for Bad Debts	Nett Balances
Service Debtors				
Rates and service charges	72 701 808		57 376 260	15 325 548
Electricity	25 431 997		18 018 915	7 413 082
Water	21 963 007		14 609 905	7 353 102
Indigents	25 537 593		25 537 593	-
Balance at end of year	145 634 405		115 542 673	30 091 732

30 June 2008	Gross Balances		Provision for Bad Debts	Nett Balances
Service Debtors:				
Rates and service charges	86 070 248		62 757 978	23 312 270
Electricity	30 551 163		21 483 874	9 067 289
Water	27 234 216		15 986 367	11 247 849
Indigents + Handovers (Sundry debtors)	25 456 626		25 456 626	-
Balance at end of year	169 312 253		125 684 845	43 627 408

AMORTISATION OF DEBTORS	Nett Balance		Amortisation	Final Balance
Rates and service charges	23 312 270		2 080 062	21 232 208
Electricity	9 067 289		667 707	8 399 582
Water	11 247 849		637 824	10 610 025
Calculated Balance to Statement of Financial Position	43 627 408		3 385 593	40 241 815

10.1 Debtors Age Analysis

			2008	2007
Rates and Service charges	Current		5 510 673	4 356 232
	30 days		2 020 195	1 951 204
	60 days		1 673 676	1 701 477
	90 days and over	73 396 212		

Electricity	Current		4 078 318	4 012 906
	30 days		1 399 809	1 071 848
	60 days		729 489	726 299
	90 days and over	24 343 547		

Water	Current		2 188 071	2 044 491
	30 days		980 377	802 277
	60 days		687 441	849 417
	90 days and over	23 378 327		

Indigent debtors back on debtors accounts	Current			81 861
	30 days			2 573
	60 days			2 228
Indigent debtors in abeyance	90 days and over			

Indigent debtors (From sundry debtors)			25 456 626	25 444 817
Hand-over's (From sundry debtors)			3 469 492	3 543 000
Total			169 312 253	145 634 406

11 Other Debtors

VAT - Dt balance (See note 4.1)			-	182 862
Dept. of Health - TB Hospital			-	342 849
Comparex - Computer Services			15 950	308 905
Other sundry debtors			7 959 211	5 491 099
Total			7 975 161	6 325 715

12 Bank, Cash And Overdraft Balances

The Municipality has the following bank accounts:	Bank	Account type	Account Number
Current Account (Primary Bank Account)	Standard Bank	Operating account	031 077 110
	Standard Bank	Call account	7 3888753 6-001
	Standard Bank	Market link account	33 551 552 5

Cashbook balance at the beginning of the year - Positive/(Overdrawn)	3 339 951	(2 609 649)
Cashbook balance at the end of the year	2 990 995	3 339 951
Petty cash balance at the beginning of the year (Included in cashbook balance)	11 270	11 270
Petty cash balance at the end of the year (Not included in cashbook balance)	10 670	11 270
Bank statement balance at the beginning of the year	7 721 438	2 099 878
Bank statement balance at the end of the year - Certificate balance	6 923 734	7 721 438

12.1 Call Account investment - at the beginning of the year	3 604 065	7 104 065
Call Account investment - at the end of the year	3 604 065	3 604 065

13 Property Rates

Residential & Commercial Private owners		35 095 043	26 543 164
Government			1 261 804
Less income forgone		(6 855 501)	
Total		28 239 542	27 804 968

Valuations at 30 June 2008	Properties	Total Value	Total Value
Residential	19 481	2 713 479 650	903 809 710
Commercial	711	658 925 740	281 992 960
Agriculture	2 469	1 148 028 240	26 835 200
Government	273	307 898 800	82 332 600
Municipal and non-taxable	4 796	161 791 442	70 926 093
Total Property Valuations		4 990 123 872	1 365 896 563

(Previous year on old valuations into Ordinance)

14 Service Charges

Sale of Electricity	121 097 375 kWh	53 166 997	46 652 839
Sale of Water	2 973 506 Kl	13 970 713	14 387 871
Refuse Removal		10 223 159	9 460 619
Sewerage and Sanitation Charges		11 491 818	10 747 382
Other service charges		2 646 437	2 394 803
Less amortisation to time already past		(3 520 704)	(2 826 426)
Less amortisation to future discounting (Determined amount as calculated)		(3 385 593)	(2 702 336)

Total Service Charges			84 592 827	78 114 752
14.1	Un-Earned Finance Charges			
	Amortisation to time already past		3 520 704	2 826 426
15	Government Grants And Subsidies			
	Equitable share		40 381 080	34 283 482
	Sesifuba hospital subsidy (100% subsidised)		2 336 760	2 243 417
	Primary health care subsidy (Partial subsidy for Clinic services from Health Dept.)		808 000	1 616 000
	Capital Grants (GSDM + MIG + DWAF + DME)		22 892 521	28 970 968
	MSIG		1 209 270	353 032
	Finance Management Grant		982 943	
	Other grants		2 588 004	1 007 780
	Total		71 198 578	68 474 679
<p><i>* In terms of the constitution the equitable share is used to subsidise the provision of free basic services.</i> <i>Water is provided to all residential consumers at a zero rate for the first 6 kiloliter valued at R12.75 p/m</i> <i>Electricity basic charge is provided at zero rates for all consumers on max. 20 ampere electricity supply. Value R78.60 p/m</i> <i>Registered indigents receive 50 units free electricity valued at R22.00 p/m Subsidy of other services amounts to approximately R105.85 p/m</i></p>				
16	Other Income			
	Administration fees		221 419	186 914
	Commission on Insurance premiums		60 093	59 162
	Insurance repayments		-	-
	Royalties Brick & Quarry		79 880	123 765
	Royalties Mineral lease		1 320 652	1 087 479
	Private works		-	120
	Maintenance contribution golf club		332	62 782
	VAT audit back payment from SARS		550 210	4 168 914
	Moneys received unallocated		1 926 940	3 424 538
	Other income		431 556	639 141
	Total other income		4 591 082	9 752 815
17	Employee Related Cost			
	Employee related cost - Salaries and wages		52 724 335	45 786 140
	Employee related cost - Contributions for UIF, pensions and medical aids		14 588 691	12 540 627
	Travel and other allowances		3 974 257	3 215 019
	Overtime and relieve payments		6 807 103	5 306 918
	Total Employee Related Cost		78 094 386	66 848 704
(Remuneration details included to Total Employee Related Cost above.)				
	Section 124(1) [c]			
	Remuneration of the Municipal Manager			
	Annual Remuneration Package		601 232	564 908
	Total		601 232	564 908
	Remuneration of the Chief Financial Officer			
	Annual Remuneration Package		486 399	456 713
	Total		486 399	456 713
	Remuneration of the Deputy Municipal Manager			
	Position removed from organogram			472 711
	Total		-	472 711

Remuneration of the Director Engineering Services				
Annual Remuneration Package			486 399	456 713
Total			486 399	456 713

Remuneration of the Director Public Safety & Security				
Annual Remuneration Package			486 399	456 713
Total			486 399	456 713

Remuneration of the Director Corporate Services				
Annual Remuneration Package			486 399	456 713
Total			486 399	456 713

Remuneration of the Director Health & Community Services				
Annual Remuneration Package			486 399	456 713
Total			486 399	456 713

Section 124 (1) [a]

18 Remuneration Of Councillors

Mayor			295 546	479 148
Speaker			229 587	383 333
Executive Committee			800 454	1 284 048
Councillors			2 282 660	3 763 846
Housing				
Travelling allowances			1 406 262	
Cell phone allowances			309 264	287 808
Pension contributions			541 848	
Medical Aid contributions			60 385	
Total Councillors Remuneration			5 926 006	6 198 183

*The Mayor, Speaker and full time councillors are provided with office space. The mayor has use of a council's vehicle and driver for official duties
The Mayor and Speaker have the support of their personal assistants.*

19 Interest Paid

Long-term Liabilities			325 215	229 955
Total Interest Paid			325 215	229 955

20 Bulk Purchases

Electricity	167 985 533 unit		34 135 037	33 048 209
Water	451771 KI		1 010 373	2 228 401
Total Bulk Purchases			35 145 410	35 276 610

22 Cash Generated By Operations

Net surplus (deficit) for the year			9 105 095	24 475 721
Adjustments for:-				
Depreciation			15 654 322	15 214 730
Gain on disposal of property, plant and equipment			(1 064 551)	(1 051 366)
Contribution to provisions - non-current (Note 31)			2 795 040	3 141 763
Contribution from provisions - non current			-	-
Contributions to provisions - current			2 596 125	2 415 000
Contribution to bad debt provision			10 147 341	8 572 545
Transfer from accumulated surplus to inventory (water)			(103 438)	
Investment income			(1 955 548)	(1 372 014)

Interest paid			325 215	229 955
Amortization on Debtors			3 385 593	-
Operating surplus before working capital charges			40 885 194	51 626 334
(Increase) Decrease in Inventories			534 744	(94932)
(Increase)/Decrease in Debtors			(23 677 848)	(19 143 468)
(Increase) Decrease in other debtors			(1 649 446)	954 871
Increase/ (Decrease) in conditional grant and receipts			3 011 591	4 516 664
(Increase) Decrease in Provisions			(1 992 421)	(2 127 105)
Increase (Decrease) on VAT receivable			182 862	(780748)
Increase/(Decrease) in Creditors			1 438 616	6 559 909
Cash generated by operations			18 733 292	41 511 525

23 Cash And Cash Equivalents

Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position:				
Cashbook balance at the end of the year			2 990 995	3 339 951
Petty cash			10 670	11 270
Total			3 001 665	3 351 221

24 General Expenses

Included in general expenses are the following:-				
Operating Leases				
Operating leases irt automated office machines - minimum payments			1 203 183	1 152 924
<i>The municipality lease office automation machines from various service providers over a lease period of a maximum period of 3 years. The last lease agreements will terminate March 2011</i>				
Future minimum lease payments at 30 June 2008:	<u>Up to year 1</u>		<u>Up to year 2</u>	<u>Up to year 3</u>
(New contract)				
	648 370		648 370	486 278

25 Additional Disclosure In Terms Of The MFMA

Section 124 (1) [b]				
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25.1 Disclosure of concerning councillors

The following Councillors had arrear accounts outstanding for more than 90 days as at 30 June 2008				
MJ Blose			2 046	1 513
L Butter			-	5 737
WBS Makhubu			-	601
S Marsh			1 398	4 686
BA Maseko			5 550	4 987
MJ Mndebele			2 561	2 478
MS Nkosi			1 897	1 704
N Shongwe			-	907
MMI Zikhali			-	1 147
PA Zulu			11 175	18 360
MS Vilakazi			1 489	
NS Xaba			937	

Section 125 (1) [b]

25.2 Contributions to organised local government

Opening balance			-	-
Council subscriptions			298 224	264 488
Amount paid - current year			(298 224)	(264488)
Amount paid - previous year			-	-

	Balance unpaid (included in creditors)			-	-
	Section 125 (1) [c]				
	Payments to various institutions				
25.3	Audit fees				
	Opening balance			-	-
	Current year audit fees			617 753	760 507
	Amount paid - current year			(617 753)	(760 507)
	Amount paid - previous years			-	-
	Balance unpaid (Included in creditors)			-	-
25.4	VAT				
	VAT inputs receivables and VAT outputs receivables are shown in note 4.1				
	All VAT returns have been submitted by the due date throughout the year.				
25.5	PAYE and UIF				
	Opening balance			-	-
	Current year payroll deductions			9 053 059	7 723 290
	Amount paid - current year			(9 053 059)	(7 723 290)
	Amount paid - previous year			-	-
	Balance unpaid (Included in creditors)			-	-
25.6	Pension and Medical Aid Deductions				
	Opening balance			-	-
	Current year payroll deductions and Council Contributions			14 142 833	12 103 572
	Amount paid - current year			(14 142 833)	(12 103 572)
	Amount paid - previous year				
	Balance unpaid (Included in creditors)			-	-
25.7	In kind donations or assistance				
	None				
26	Contingent Liabilities				
	None				
27	Accumulated Reserves				
				195 473 683	186 042 166
	Capital Replacement Reserve			1 780 540	1 389 816
	Capitalization reserve			58 446 868	62 310 709
	Government Grant reserve			135 246 275	122 341 641
28	Accumulated Surplus				
				19 155 705	17 229 443
	Accumulated surplus 30 June 2007			17 229 443	7 315 470
	Amortization of previous year debtors			2 702 336	2 236 154
	Surplus/(Deficit) for the year			9 105 095	24 475 721
	Transfer to CRR			(4 203 794)	(3 369 713)
	PPE expenditure from CRR			3 813 070	2 621 143
	Government grants used to purchase PPE			(22 892 521)	(28 970 968)
	Asset disposals			(553 089)	(1 475 483)
	Offsetting of depreciation			13 851 728	14 353 057

Transfer to inventory - Unsold water			103 437	44 062
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29 Statistical Information

ELECTRICITY

Purchase cost			34 135 037	33 048 209
Total cost (include street lighting)			59 194 125	56 230 156
Sales income			53 166 997	46 652 839
Purchased units	kWh		167 985 533	157 216 242
Sold units	kWh		121 097 375	116 438 353
Units loss in distribution	kWh		46 888 158	40 777 889
Cost of loss in distribution			9 527 674	8 571 512
Loss in distribution			27.91%	25.94%
Benchmark norm for distribution losses			10.00%	10.00%
Nett loss in distribution			17.91%	15.94%
Cost per unit based on purchase cost			0.2032	0.2102
Cost per unit based on total cost			0.3524	0.3577
Income per unit			0.4390	0.4007
Nett loss in distribution over and above the benchmark losses - units			30 088 388	25 057 808
Nett cost of loss in distribution over and above the benchmark losses			6 113 960	5 267 151

WATER

Purchase cost			1 010 373	2 228 401
Total cost			22 113 001	20 655 504
Sales income			13 970 713	14 387 871
Purchased kiloliters	Kl		451 771	1 355 073
Own recourses kiloliters	Kl		4 151 157	4 500 731
Total purified water kiloliters	Kl		4 602 928	5 855 804
Sold kiloliters plus additional provision as calculated	Kl		2 975 919	3 194 322
Kl loss in distribution	Kl		1 627 009	2 661 482
Cost of loss in distribution			7 816 151	9 387 047
Loss in distribution			35.35%	45.45%
Benchmark norm for distribution losses			10.00%	10.00%
Nett loss in distribution			25.35%	35.45%
Cost per kiloliter purified			4.804	3.527
Cost per kiloliter sold			7.4306	6.4663
Income per kiloliter			4.6946	4.5042
Nett loss in distribution over and above the benchmark losses - kiloliters			1 166 752	2 075 897
Nett cost of loss in distribution over and above the benchmark losses			5 605 077	7 321 689
Calculation of water utilized in water provision to communities				
Kiloliters sold	Kl		2 973 506	2 981 122
Calculation of water not metered but utilized from purified water				
Unmetered communities with standpipe provision	Kl		-	84 500
Water provision by tankers	Kl		2 413	35 700
Unmetered new development housing projects	Kl		-	93 000
Total water provision	Kl		2 975 919	3 194 322

WATER STOCK IN RESERVOIRS AS AT 30 JUNE 2008

		MEGALITER	MEGALITER
Reservoir at Ermelo - aerodrome	10 MI x 75%	7.50	5.00

Reservoir at Wesselton	10 MI x 75%		7.50	7.50
Reservoir at Ermelo - south	20 MI x 90%		18.00	16.00
Reservoir Davel	4 MI x 70%		2.80	2.80
Reservoirs Lothair	5 MI x 80%		4.00	5.00
Reservoirs Lothair	2 MI x 80%		1.60	2.00
Reservoirs Lothair	1.25 MI x 100%		1.25	1.25
Reservoirs Breyten	4 MI x 50%		2.00	2.00
Reservoirs Breyten	1 MI x 100%		1.00	1.00
Reservoirs Breyten	5 MI x 100%		5.00	5.00
Reservoirs Breyten	1.5 MI x 100%		1.50	1.50
Total			52.15	49.05
Calculated Inventory unsold water	4.804		250 528.60	147 091.14

30 Certain current year accounting policies (in accordance with the exemptions in Gazette no. 30013 of 29 June '07) correspond with that applied in the prior year. The changes in accounting policies will be applied prospectively and refers to the following accounting policy notes:

Note 6 - Property, plant and equipment :

The estimated useful lives of property, plant & equipment and depreciation methods have not been reviewed and the impairment of assets was not assessed in the current financial year.

Note 7 - Financial instruments; cash and bank balance, investments, trade receivables and borrowings:

Financial instruments were initially measured at cost in the current financial year.

Note 9 – Revenue:

Revenue was initially measured at cost in the current financial year. Comparative information and amounts have not been reclassified and may, therefore, not be consistent with the current year information and amounts.

Note 13 – Leases:

Operating lease rentals have not been recognised on the straight-line basis over the term of the relevant lease agreements.

31 Provision For Post Retirement Benefit Obligation

Post-Retirement medical aid benefit contributions - Defined benefit plan.

In terms of the International Accounting Standards (19) calculations were made by Management to estimate the initial recognition of a post-retirement medical aid benefit contribution to its employees and disclosed as a Non-Current Liability.

In terms of Government Gazette 30013 the benefit of the exemption applies in terms of treatment of the calculation of the benefit. (See exemptions)

Principals for Calculation:

Estimated life expectancy:- Men = 70 years of age
Women = 75 years of age

Remaining period for liability:- From normal retirement age of 65
For pensioners already reached the age of 70 or 75, one year is added to the calculation of benefit obligations.
Council contribution:- 60% of the total contribution

Initial calculation:	2008		2007	2006
Post-retirement medical aid benefit liability	14 180 544		15 220 713	13 268 304
Less provided during 2005/2006 and 2006/2007 financial years	(5 795 424)		(2 653 661)	
Amount to be provided phased in over the remaining period of 3 years	8 385 120		12 567 052	
Phasing in over a period of 5 years - IAS 19: Year one				2 653 661
Phasing in over a period of 4 years - IAS 19: Year two			3 141 763	
Phasing in over a period of 3 years - IAS 19: Year three	2 795 040			

30 JUNE 2007				
Balances at beginning of year	5 795 424		2 653 661	

Contribution to non-current liability	2 795 040		3 141 763	
Additional contribution			-	
Expenditure incurred			-	
Balance at end of year	8 590 464		5 795 424	

32	Supply Chain Management
	In terms of section 36 of the supply chain management policy various deviations has been approved and submitted to Council on monthly report in terms of subsection 36(2) of the policy, and approved accordingly. Details are on file.

4.7.1 - Notes To The Financial Statements For The Year Ended 30 June 2008 Property, Plant & Equipment (Ppe) Item 6

Reconciliation of Carrying Value	Land and Buildings	Infra-structure	Community	Heritage	Other	Total
	R	R	R	R	R	R
Carrying value at 1 July 2007	8 402 641	132 537 492	14 820 258	5 998	26 595 208	182 361 597
Cost	8 402 641	252 584 947	17 863 462	11 830	45 993 157	324 856 037
Correction of Error						
Accumulated Depreciation	0	-120 047 454	-3 043 204	-5 830	-19 397 950	-142 494 438
Acquisitions		21 795 596	1 202 137		3 707 858	26 705 591
Depreciation		-12 098 343	-284 173	-998	-3 270 808	-15 654 322
-based on cost		252 584 947	17 863 462	11 830	45 993 157	316 453 396
Carrying value of disposals		-553 088			-241 215	-794 303
Accumulated depreciation		132 145 797	3 327 377	6 830	21 536 426	157 016 430
Impairment losses						
Other movements						
Carrying values at 30 June 2008	8 402 641	141 681 657	15 738 222	5 000	26 791 043	192 618 563

NOTE: The Municipality has taken advantage of the transitional provisions set out in GAMAP 17. The municipality is in process of itemizing all Infrastructure and community assets and will recalculate accumulated depreciation once this exercise has been completed by 30 June 2009.

The municipality has taken advantage of the exemptions granted in gazette 30013 of 29 June 2007 and the following should be disclosed:

- * The useful life or depreciation method used was not reviewed.
- * Items of property, plant and equipment were not assessed for impairment and are not aware of any impairment to assets.
- * Included in land and buildings are items that may meet the definition of investment property.
- * Included in PPE are items that may meet the definition of inventory.
- * Depreciation on these assets is calculated on an average basis whereby an average useful life has been estimated for each category of Infrastructure, using global historical costs recorded in the accounting records.
- * No depreciation is calculated on buildings due to the low historical cost of those assets.

4.7.2 - Schedule Of External Loans As At 30 June 2008

External Loans	Loan Number	Redeemable	Balance at 30 /06/2007	Received during the period	Redeemed or written off during period	Balance at 30/06/2008	Carrying value of Property, Plant & Equipment	Other costs in accordance with MFMA
Long Term Loans								
None								
Annuity Loans								
D.B.S.A. 13.56%	12600&12181	30-Jun-2014	108 722		10 092	98 630	58 786	
			108 722		10 092	98 630		
Bankfin Loans								
	60890973	1-Feb-2008	68 456		68 456	0	55 947	
	64934207	1-Jun-2009	32 269		15 016	17 253	23 305	
	64934185	1-Jun-2009	32 269		15 016	17 253	25 180	
	64934193	1-Jun-2009	32 269		15 016	17 253	25 180	
	64934177	1-Jun-2009	49 197		22 895	26 302	50 747	
	64934045	1-Jun-2009	29 861		13 895	15 966	33 599	
	64934053	1-Jun-2009	29 861		13 895	15 966	32 666	
	64934010	1-Jun-2009	29 861		13 895	15 966	32 312	
	64934029	1-Jun-2009	29 861		13 897	15 964	32 666	
	94934037	1-Jun-2009	29 863		13 897	15 966	32 666	
			363 767	0	205 878	157 889		
Stannic Loans								
	68195249-0002	1-May-2010	491 823		149 416	342 407	271 337	
	68195249-0003	1-Jul-2010	139 992		39 734	100 258	73 358	
	68195249-0004	1-Aug-2010	111 494		29 599	81 895	55 440	
	68195249-0007	1-Dec-2011	131 884		23 288	108 596	97 313	
	68195249-0008	1-Dec-2011	131 884		23 288	108 596	97 313	
	68195249-0009	1-Jan-2012	281 240		48 704	232 536	258 206	
	68195249-0010	1-Jan-2012	281 240		48 704	232 536	258 206	
	68195249-0011	1-Feb-2012	389 809		66 013	323 796	293 224	
	68195249-0012	1-Mar-2012	139 269		22 904	116 365	106 126	
	68195249-0013	1-Jun-2012	195 116		30 078	165 038	173 978	
	68195249-0014	1-Jun-2012	195 116		30 172	164 944	173 978	
			2 488 867	0	511 900	1 976 967		
Total			2 961 356	0	727 870	2 233 486		

4.7.3 - Analysis Of Property, Plant & Equipment As At 30 June 2008

Sector / Sub-sector	Cost / Revaluation					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Land										
Erven	7 528 213				7 528 213	0			0	7 528 213
Agricultural	874 428				874 428	0			0	874 428
Total	8 402 641	0	0	0	8 402 641	0	0	0	0	8 402 641
Infrastructure										
Water Reticulation	66 795 889	2 775 104	8 834 781	-553 089	77 852 685	17 089 905	3 112 397		20 202 302	57 650 383
Security Measures	616 668	14 105			630 773	511 268	5 521		516 789	113 984
Sewerage	49 759 122	1 914 688			51 673 810	19 608 895	2 363 594		21 972 489	29 701 321
Roads and Storm water	90 702 340		4 059 575		94 761 915	53 468 293	4 902 713		58 371 006	36 390 909
Pedestrian Malls	653 986	23 655			677 641	515 934	30 163		546 097	131 544
Electricity	43 088 621	4 034 535	139 153		47 262 309	28 819 688	1 683 955		30 503 643	16 758 666
Airport	968 321				968 321	33 471			33 471	934 850
Total	252 584 947	8 762 087	13 033 509	-553 089	273 827 454	120 047 454	12 098 343	0	132 145 797	141 681 657
Community Assets										
Recreation Grounds	5 637 762	1 531			5 639 293	624 820	95 417		720 237	4 919 056
Community Buildings	12 225 700	321 759	878 847		13 426 306	2 418 384	188 756		2 607 140	10 819 166
Total	17 863 462	323 290	878 847	0	19 065 599	3 043 204	284 173	0	3 327 377	15 738 222
Heritage Assets										
Monuments	1 830				1 830	1 832	-2		1 830	0
Paintings	10 000				10 000	4 000	1 000		5 000	5 000
Total	11 830	0	0	0	11 830	5 832	998	0	6 830	5 000
Other assets										
Bins and Containers	609 008	107 400		-69 749	646 659	248 540	60 469	-39 127	269 882	376 777
Other Buildings	15 377 666	45 200			15 422 866	215 463	33 847		249 310	15 173 556
Emergency Equipment	867 446	140 182			1 007 628	578 544	38 809		617 353	390 275
Furniture and Fittings	1 658 166	623 893		-28 276	2 253 783	1 363 287	78 730	-16 045	1 425 972	827 811
Motor Vehicles	8 962 652	170 719		-350 904	8 782 467	5 444 209	930 296	-219 093	6 155 412	2 627 055
Office Equipment	8 839 085	2 295 265		-554 930	10 579 420	5 197 350	1 515 880	-517 404	6 195 826	4 383 594
Plant and Equipment	9 679 134	325 199		-369 687	9 634 646	6 350 557	612 777	-340 663	6 622 671	3 011 975
Total	45 993 157	3 707 858		-1 373 546	48 327 469	19 397 950	3 270 808	-1 132 332	21 536 426	26 791 043
Total	324 856 037	12 793 235	13 912 356	-1 926 635	349 634 993	142 494 440	15 654 322	-1 132 332	157 016 430	192 618 563

4.7.4 - Segmental Analysis Of Property, Plant & Equipment As At 30 June 2008

Opening Additions		Cost / Revaluation					Accumulated Depreciation				
		Under Balance	Disposals	Closing Construction	Opening	Additions Balance	Disposals Balance	Closing		Carrying	
										Balance	Value
Director Town Engineer		8 545	40 006			48 551	2 118	2 142		4 260	44 291
Public Works		87 614 168	10 631	4 059 575	-227 875	91 456 499	51 656 580	4 989 880	-220 941	56 425 519	35 030 980
Town Planning And Building Control		556 922	1 841		-26 897	531 866	195 215	162 264	-26 897	330 582	201 284
Street lights		2 226 438				2 226 438	966 394	101 115		1 067 509	1 158 929
Airport		1 088 979				1 088 979	154 129			154 129	934 850
Sewerage Network		57 218 581	1 918 450		-1 509	59 135 522	24 304 358	2 755 583	-1 509	27 058 432	32 077 090
Water Network		66 180 140	2 792 606	2 404 398	-87 757	71 289 387	16 579 652	3 111 633		19 691 285	51 598 102
Water Purification		0		6 430 383	-465 332	5 965 051	0			0	5 965 051
Electricity		43 211 116	4 129 833	139 153	-100 849	47 379 253	28 852 247	1 748 951	-85 611	30 515 587	16 863 666
Director Public Safety		36 135	14 984			51 119	14 212	12 045		26 257	24 862
Fire Brigade Services		2 502 973	223 273	84 441		2 810 687	1 684 283	100 184		1 784 467	1 026 220
Safety and Security		422 922				422 922	281 123	45 924		327 047	95 875
Licensing		1 150 038	41 291		-4 000	1 187 329	546 145	79 574	-4 000	621 719	565 610
Traffic		1 550 281	131 288		-1 500	1 680 069	908 976	130 184	-1 500	1 037 660	642 409
Parking Meters		441 228				441 228	220 614	22 061		242 675	198 553
Director Comm. & Health		15 000				15 000	0	5 000		5 000	10 000
Cemeteries		416 947		387 661		804 608	83 869	1 120		84 989	719 619
Parks and Grounds		2 366 305	371 601	406 745	-2 217	3 142 434	863 376	78 469	-2 216	939 629	2 202 805
Environmental Health		363 559	17 586		-18 202	362 943	328 456	22 802	-18 011	333 247	29 696
Clinics		1 376 833	53 648			1 430 481	92 450	11 099		103 549	1 326 932
Tuberculosis Hospital		237 557	12 318		-9 173	240 702	54 712	3 891	-9 173	49 430	191 272
Welfare		6 050				6 050	6 050			6 050	0
Refuse Removal		5 555 401	109 908		-119 249	5 546 060	2 588 294	492 856	-87 770	2 993 380	2 552 680
Housing		2 867 755	40 447			2 908 202	457 619	30 611		488 230	2 419 972
Staff Flats		1 031 362				1 031 362	0			0	1 031 362
Director Corporate Services		69 248	57 170		-25 536	100 882	17 254	10 161	-9 931	17 484	83 398
Mechanical Workshop		1 565 880	182 354		-92 500	1 655 734	824 244	43 215	-92 500	774 959	880 775
Civic Centre		6 067 815	144 815		-1 999	6 210 631	209 880	13 006	-1 618	221 268	5 989 363
Administration		5 377 823	1 953 457		-185 214	7 146 066	2 798 432	1 005 124	-169 961	3 633 595	3 512 471
Human Recourses		170 473	50 748		-17 100	204 121	142 040	14 778	-17 100	139 718	64 403
Municipal Manager		145 878	35 629		-4 000	177 507	123 798	9 950	-4 000	129 748	47 759
I D P		34 434	24 771			59 205	30 915	2 672		33 587	25 618
Council General		18 579 247	73 600		-184 860	18 467 987	1 836 346	128 174	-61 620	1 902 900	16 565 087
Councillors		848 111	25 233		-13 050	860 294	573 568	113 353	-1 676	685 245	175 049
Director Finance		23 135	13 143			36 278	7 712	7 712		15 424	20 854
Municipal Stores		191 634				191 634	28 769	4 517		33 286	158 348
Finance		1 655 799	227 532		-253 816	1 629 515	1 479 678	111 272	-253 531	1 337 419	292 096
Marketing and Communication		304 884	77 979		-35 000	347 863	287 766	13 946	-35 000	266 712	81 151

Libraries	270 221	3 950			274 171	189 452	10 815		200 267	73 904
Swimming Pool	1 000 012				1 000 012	13 271			13 271	986 741
Sport Fields General	6 888 925			-49 000	6 839 925	2 577 606	220 152	-27 767	2 769 991	4 069 934
Golf Course	1 327 309				1 327 309	367 229	32 355		399 584	927 725
Sport and Recreation	1 845 828	13 143			1 858 971	101 462	5 732		107 194	1 751 777
Local Economic Development	44 146				44 146	44 146			44 146	0
	324 856 037	12 793 235	13 912 356	-1 926 635	349 634 993	142 494 440	15 654 322	-1 132 332	157 016 430	192 618 563

4.7.5 - Segmental Statement Of Financial Performance For The Year Ended 30 June 2008

2007 Actual income R	2007 Actual expenditure R	2007 Surplus (Deficit) R	Segments	2008 Actual income R	2008 Actual Expenditure R	2008 Surplus (Deficit) R
39 795 126.85	27 182 296.09	12 612 830.76	Executive & Council	42 378 239.49	29 162 950.92	13 215 288.57
42 642 346.51	26 218 677.81	16 423 668.70	Finance & Admin	44 547 563.20	30 053 389.74	14 494 173.46
520 206.51	604 952.85	(84 746.34)	Planning & Development	1 257 068.32	1 944 522.30	(687 453.98)
3 864 940.08	5 523 251.17	(1 658 311.09)	Health	3 174 964.76	6 363 424.21	(3 188 459.45)
341 107.22	4 342 052.28	(4 000 945.06)	Community & Social Services	758 284.83	6 639 445.42	(5 881 160.59)
1 687 389.22	3 344 943.62	(1 657 554.40)	Housing	1 684 645.06	1 865 155.76	(180 510.70)
895 757.96	6 861 933.83	(5 966 175.87)	Public Safety	899 647.69	8 284 571.29	(7 384 923.60)
249 027.09	5 768 898.90	(5 519 871.81)	Sport & Recreation	746 047.61	6 378 474.07	(5 632 426.46)
0.00	0.00	-	Environmental Protection	0.00	0.00	-
28 023 788.54	22 868 088.17	5 155 700.37	Waste Management	24 127 234.36	27 400 644.39	(3 273 410.03)
12 525 807.92	12 101 730.90	424 077.02	Road Transport	8 845 255.53	13 760 761.30	(4 915 505.77)
32 750 611.66	20 667 121.74	12 083 489.92	Water	31 642 708.65	21 961 815.66	9 680 892.99
56 119 869.65	56 788 479.89	(668 610.24)	Electricity	65 948 604.74	59 755 432.57	6 193 172.17
68 102.94	33 597.91	34 505.03	Other	73 586.14	22 574.76	51 011.38
219 484 082.15	192 306 025.16	27 178 056.99	TOTAL	226 083 850.38	213 593 162.39	12 490 687.99
			Less Inter-Dep. Charges	(13 046 923.59)	(13 046 923.59)	-
			Less Amortization Debtors	(3 385 593.00)		
			TOTAL	209 651 333.79	200 546 238.80	9 105 094.99

Inter-departmental charges taken in account at each level of GFS function.

4.7.6 - Unaudited - Revenue And Expenditure - Actual Versus Budget - For The Year Ended 30 June 2008

	Actual	Budget	Variance	Variance	Explanation of significant variances greater than 10% versus budget
	R	R	R	%	
<u>REVENUE</u>					
Property rates	28 239 541.97	28 801 815.00	-562 273.03	-1.95%	
Service charges	91 499 123.74	91 495 936.00	3 187.74	0.00%	
Government Grants and Subsidies - operating	48 306 056.60	51 178 388.00	-2 872 331.40	-5.61%	
Government Grants and Subsidies - capital	22 892 521.27	33 656 284.00	-10 763 762.73	-31.98%	Projects rolled over
Fines	533 131.76	1 642 000.00	-1 108 868.24	-67.53%	Fines not realized, cases rejected
Interest earned - external investments	1 955 548.37	1 000 001.00	955 547.37	95.55%	Investments increased
Interest earned - outstanding debtors	8 500 684.57	8 623 629.00	-122 944.43	-1.43%	
Rental of facilities and equipment	1 086 596.13	1 259 341.00	-172 744.87	-13.72%	Rental on Caravan park not realized
Licenses and permits	1 913 095.00	1 562 000.00	351 095.00	22.48%	Increase in licensing fees
Income for agency services	2 454 994.29	2 040 000.00	414 994.29	20.34%	Increase in licensing fees & commissions
Gains on disposal of property, plant and equipment	1 064 551.37	3 305 593.00	-2 241 041.63	-67.80%	Less sales than budgeted
Other income	4 591 081.72	3 200 546.00	1 390 535.72	43.45%	Royalties increase & income forfeited
Total Revenue	213 036 926.79	227 765 533.00	-14 728 606.21	-6.47%	
<u>EXPENDITURE</u>					
Employee related cost	78 094 386.54	82 903 234.00	-4 808 847.46	-5.80%	
Remuneration Councillors	5 926 005.84	5 928 735.00	-2 729.16	-0.05%	
General expenses - other	28 587 340.79	33 417 348.00	-4 830 007.21	-14.45%	Various savings on expenditure items
Interest on external borrowings	325 214.73	420 000.00	-94 785.27	-22.57%	Less borrowed than budgeted
Bulk Purchases	35 145 409.73	32 780 000.00	2 365 409.73	7.22%	
Contracted services	12 339 679.10	15 067 537.00	-2 727 857.90	-18.10%	IT budget included capital needs - expenditure from capital funds
Loss on disposal of property, plant and equipment	241 213.32	0.00	241 213.32		No budget for loss
Collection Cost	469 172.28	15 719.00	453 453.28	2884.75%	Cost from new appointed debt collectors
Repairs and Maintenance	10 213 629.81	10 755 738.00	-542 108.19	-5.04%	
Depreciation	15 654 321.76	15 462 520.00	191 801.76	1.24%	
Bad debts	10 147 341.00	10 147 341.00	0.00	0.00%	
Contributions to/(transfers from) provisions	607 483.90	0.00	607 483.90		Contributions more than expenditure
Transfer to Non-current liability	2 795 040.00	2 786 348.00	8 692.00	0.31%	
Total Expenditure	200 546 238.80	209 684 520.00	-9 146 973.20	-4.36%	
Less Amortization Debtors	-3 385 593.00				
NET SURPLUS / (DEFICIT) FOR THE YEAR	9 105 094.99	18 081 013.00	-5 581 633.01		

4.7.7 - Unaudited - Acquisition Of Property, Plant And Equipment - Actual Versus Budget - For The Year Ended 30 June 2008

	Actual	Under	Total	Budget	Variance	Variance	Explanation of significant variances
	R	Construction	Additions	R	R	%	greater than 10% versus budget
Investment properties							
Erven	0.00	0.00	0.00	0.00	0.00		
Farming Land	0.00	0.00	0.00	0.00	0.00		
	0.00	0.00	0.00	0.00	0.00		
Infrastructure							
Airports	0.00	0.00	0.00	0.00	0.00		
Electricity	4 034 535.00	139 153.00	4 173 688.00	5 595 856.00	-1 422 168.00	-25.41%	Projects still under construction
Pedestrian Malls	23 655.00	0.00	23 655.00	37 585.00	-13 930.00	-37.06%	Project complete - lower quotation
Roads and Storm water	0.00	4 059 575.00	4 059 575.00	5 661 000.00	-1 601 425.00	-28.29%	Projects still under construction
Sewerage	1 914 688.00	0.00	1 914 688.00	1 914 688.00	0.00		
Security Measures	14 105.00	0.00	14 105.00	14 105.00	0.00		
Water	2 775 104.00	8 834 781.00	11 609 885.00	13 090 561.00	-1 480 676.00	-11.31%	Projects still under construction
	8 762 087.00	13 033 509.00	21 795 596.00	26 313 795.00	-4 518 199.00		
Community Assets							
Community Buildings	321 759.00	878 847.00	1 200 606.00	3 275 000.00	-2 074 394.00	-63.34%	Project still under construction
Recreational Facilities	1 531.00	0.00	1 531.00	1 532.00	-1.00	-0.07%	
	323 290.00	878 847.00	1 202 137.00	3 276 532.00	-2 074 395.00		
Heritage Assets							
Monuments	0.00	0.00	0.00	0.00	0.00		
Paintings	0.00	0.00	0.00	0.00	0.00		
	0.00	0.00	0.00	0.00	0.00		
Other Assets							
Bins and Containers	107 400.00	0.00	107 400.00	107 400.00	0.00		
Buildings	45 200.00	0.00	45 200.00	65 210.00	-20 010.00	-30.69%	Project completed - lower quotation
Emergency Equipment	140 182.00	0.00	140 182.00	150 000.00	-9 818.00	-6.55%	Project completed
Furniture and Fittings	623 893.00	0.00	623 893.00	625 282.00	-1 389.00	-0.22%	Project completed
Motor Vehicles	170 719.00	0.00	170 719.00	172 924.00	-2 205.00	-1.28%	Project completed
Office Equipment	2 295 265.00	0.00	2 295 265.00	2 617 982.00	-322 717.00	-12.33%	Project completed - lower prices
Plant and Equipment	325 199.00	0.00	325 199.00	327 159.00	-1 960.00	-0.60%	Project completed
	3 707 858.00	0.00	3 707 858.00	4 065 957.00	-358 099.00		
	12 793 235.00	13 912 356.00	26 705 591.00	33 656 284.00	-6 950 693.00		

Appendix F

4.7.8 - Disclosure of grants and subsidies in terms of section 123 of MFMA, 56 of 2003

Grants and subsidies received and expenditure for grants and subsidies for the year ended 30 June 2008

Name of Grant	Organ of State or Municipality	Opening Balance	Quarterly Receipts				Total Amount Received	Quarterly Expenditure				Total Amount Expended	Closing Balance	Grants Delayed/ Withheld	Reasons for delay or non-compliance	Complied with Conditions
			Sept	Dec	March	June		Sept	Dec	March	June					
Construction : Pavilion Wesselton Stadium	Dept. Sport & Recreation	21 925	0	0	0	0	0	0	0	0	21 925	21 925	0	No	Utilised in Fin Year	Yes
Tractor & Trailer for Refuse	GSDM	5 544	0	0	0	0	0	0	0	0	5 544	5 544	0	No	Utilised in Fin Year	Yes
Bulk Sewer Nganga	DPLG & Housing	794 508	755 930	0	0	0	755 930	0	0	0	0	0	1 550 438	No	C/O 08/09	Yes
MIG capital	MIG	4 168 815	2 700 000	2 200 000	0	6 150 937	11 050 937	0	0	0	7 950 961	7 950 961	7 268 791	No	C/O 08/09	Yes
Drought Relief	DWAF	30 789	0	0	0	500 000	500 000	0	0	0	0	0	530 789	No	C/O 08/09	Yes
Electricity ext. 32	Dept. Mineral & Energy	21 644	749 000	403 000	0	2 800 000	3 952 000	0	0	0	3 100 333	3 100 333	873 311	No	C/O 08/09	Yes
Grant to purchase computers	Private	1 234	0	0	0	0	0	0	0	0	1 234	1 234	0	No	Utilised in Fin Year	Yes
Grant Sesifuba Hospital	Prov. Gov.	293 799	0	0	0	0	0	0	0	0	0	0	293 799	No	C/O 08/09	Yes
Cleanest town competition	Prov. Gov.	0	0	20 000	600 000	19 530	639 530	0	0	0	462 199	462 199	177 331	No	C/O 08/09	Yes
Sub total Grants Received General ledger		5 338 258	4 204 930	2 623 000	600 000	9 470 467	16 898 397	0	0	0	11 542 196	11 542 196	10 694 459			
Equitable Share	Nat. Gov.	0	13 460 360	10 095 270	16 825 450	0	40 381 080	10 095 270	10 095 270	10 095 270	10 095 270	40 381 080	0	No	Utilised in Fin Year	Yes
Subsidy : Dept of Health	Prov. Gov.	0	808 000	0	0	0	808 000	202 000	202 000	202 000	202 000	808 000	0	No	Utilised in Fin Year	Yes
Subsidy : Dept of Health (Sesifuba Hospital)	Prov. Gov.	0	797 596	575 313	361 489	602 362	2 336 760	491 166	585 512	600 287	659 795	2 336 760	0	No	Utilised in Fin Year	Yes

Training Grant	SITA	852 691	0	146 461	78 360	23 489	248 310	35 238	289 446	431 915	344 402	1 101 001	0	No	Utilised in Fin Year	Yes
Subsidy of salaries - Dept Public Works	DPLG	148 721	417 239	0	0	0	417 239	194 033	229 328	142 599	0	565 960	0	No	Utilised in Fin Year	Yes
Finance Management Grant 2007/2008	Prov. Gov.	0	0	500 000	0	0	500 000	0	0	0	500 000	500 000	0	No	Utilised in Fin Year	Yes
Finance Management Grant 2006/2007	Prov. Gov.	482 943	0	0	0	0	0	0	0	0	482 943	482 943	0	No	Utilised in Fin Year	Yes
Municipal Support Grant 2003/2004	Prov. Gov.	23 364	0	0	0	0	0	0	0	0	23 364	23 364	0	No	Utilised in Fin Year	Yes
Municipal Support Grant 2005/2006	Prov. Gov.	10 459	0	0	0	0	0	0	10 459	0	0	10 459	0	No	Utilised in Fin Year	Yes
Municipal Support Grant 2006/2007	Prov. Gov.	464 811	0	0	0	0	0	0	348 096	116 715	0	464 811	0	No	Utilised in Fin Year	Yes
Municipal Support Grant 2007/2008	Prov. Gov.	0	367 000	367 000	0	0	734 000	0	0	325 000	409 000	734 000	0	no	Utilised in Fin Year	Yes
Operational subsidy for PMU unit	MIG	361 621	0	0	0	552 547	552 547	228 542	228 542	228 542	228 542	914 168	0	No	Utilised in Fin Year	Yes
Sub total Grants Received Operational		2 344 610	15 850 195	11 684 044	17 265 299	1 178 398	45 977 936	11 246 249	11 988 653	12 142 328	12 945 316	48 322 546	0			
TOTALS		7 682 868	20 055 125	14 307 044	17 865 299	10 648 865	62 876 333	11 246 249	11 988 653	12 142 328	24 487 512	59 864 742	10 694 459			

REPORT OF THE AUDITOR-GENERAL TO THE MPUMALANGA PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF THE MSUKALIGWA MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2008

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Msukaligwa Municipality (municipality) which comprise the statement of financial position as at 30 June 2008, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages [xx] to [xx].

Responsibility of the accounting officer for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the Standards of Generally Recognized Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act, 2007 (Act No. 1 of 2007) (DoRA). This responsibility includes:
 - designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
 - selecting and applying appropriate accounting policies
 - making accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor-General

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing and *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance on whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
6. An audit also includes evaluating the:
 - appropriateness of accounting policies used
 - reasonableness of accounting estimates made by management
 - overall presentation of the financial statements.
7. Paragraph 11 *et seq.* of the Statement of Generally Recognised Accounting Practice, GRAP 1 *presentation of Financial Statements* requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is not effective for this financial year, I have determined that my audit of any disclosures made by the municipality in this respect will be limited to reporting on non-compliance with this disclosure requirement.
8. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis of accounting

9. The municipality's policy is to prepare financial statements on the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance, as set out in accounting policy note 1.

Basis for qualified opinion

Payables

10. The creditors listing to support the value of R10 982 148, as disclosed in the financial statements, had a total of R11 580 076, which differed with R597 929 from the financial statements. No reconciliation of this difference could be provided. The creditors listing provided indicated an overstatement of R3 127 185 relating to a payment made but not removed from the creditors account.

Qualified opinion

11. In my opinion, except for the effects of the matter described in the Basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Msukaligwa Municipality as at 30 June 2008 and its financial performance and cash flows for the year then ended, in accordance with the applicable reporting framework and in the manner required by the MFMA and DoRA.

OTHER MATTERS

I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

Internal controls

12. Section 62(1) (c) (i) of the MFMA states that the accounting officer must ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below depicts the root causes that gave rise to the inefficiencies in the system of internal control, which led to the qualified opinion. The root causes are categorised according to the five components of an effective system of internal control. In some instances deficiencies exist in more than one internal control component.

Reporting Item	Control Environment	Risk assessment	Control activities	Information and communication	Monitoring
Basis for qualified opinion					
Payables	√	√	√	√	√
Control environment: establishes the foundation for the internal control system by providing fundamental discipline and structure for financial reporting.					
Risk assessment: involves the identification and analysis by management of relevant financial reporting risks to achieve predetermined financial reporting objectives.					
Control activities: policies, procedures and practices that ensure that management's financial reporting objectives are achieved and financial reporting risk mitigation strategies are carried out.					
Information and communication: supports all other control components by communicating control responsibilities for financial reporting to employees and by providing financial reporting information in a form and time frame that allows people to carry out their financial reporting duties.					
Monitoring: covers external oversight of internal controls over financial reporting by management or other parties outside the process; or the application of independent methodologies, like customised procedures or standard checklists, by employees within a process.					

Non-compliance with applicable legislation

Municipal Finance Management Act

13. The municipality submitted and tabled the 2006-07 annual report late but there is no indication of its adoption, contrary to sections 127(3), 129(1), 132(1) and 132(2) of the MFMA.
14. A risk committee and a risk management policy or system were not in place, as required by section 62(1)(c)(i) of the MFMA.

Municipal Systems Act

15. The staff establishment and job descriptions were not maintained by the municipality, as required by section 66 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).

Matters of governance

16. The MFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of certain key governance responsibilities, which I have assessed as follows:

Matter of governance	Yes	No
Audit committee		
• The municipality had an audit committee in operation throughout the financial year.	X	
• The audit committee operates in accordance with approved, written terms of reference.		X
• The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166 2 of the MFMA.		X
Internal audit		

• The municipality had an internal audit function in operation throughout the financial year.	X	
• The internal audit function operates in terms of an approved internal audit plan.		X
• The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165 2 of the MFMA.		X
Other matters of governance		
• The annual financial statements were submitted for audit as per the legislated deadlines in section 126 of the MFMA.	X	
• The annual report was submitted to the auditor for consideration prior to the date of the auditor's report.		X
• The financial statements submitted for audit were not Subject to any material amendments resulting from the audit.	X	
• No significant difficulties were experienced during the audit concerning delays or the unavailability of expected information and/or the unavailability of senior management.	X	
• The prior year's external audit recommendations have been substantially implemented.	X	

Unaudited supplementary schedules

17. The supplementary information set out on pages X to X does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

OTHER REPORTING RESPONSIBILITIES

REPORT ON PERFORMANCE INFORMATION

18. I was engaged to review the performance information.

Responsibility of the accounting officer for the performance information

19. In terms of section 121 (3) (c) of the MFMA, the annual report of a municipality must include the annual performance report of the municipality prepared by the municipality in terms of section 46 of the MSA.

Responsibility of the Auditor-General

20. I conducted my engagement in accordance with section 13 of the PM read with *General Notice* 616 of 2008, issued in *Government Gazette No. 31057 of 15 May 2008* and section 45 of the MSA.
21. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgment.
22. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings reported below.

Audit findings (performance information)

Non-compliance with regulatory requirements

23. Section 45 of the MSA was not adhered to, as the municipality did not maintain performance measurements to be audited annually by the Auditor-General and quarterly by the internal auditors.
24. The performance report reflecting the performance of the municipality, a comparison of the performance with targets set and performances in the previous financial year, and measures taken to improve performance, which must be included within the annual report, were not maintained by the municipality, as required by section 46(1) and (2) of the MSA.

Performance information not received in time

25. I was not able to complete an evaluation of the consistency and quality of the performance information to be reported in the annual report, since this information was not available as required by clause 4 of *General Notice* 646.

APPRECIATION

27. The assistance rendered by the staff of the municipality during the audit is sincerely appreciated.

Auditor-General

Nelspruit

28 November 2008



A U D I T O R - G E N E R A L

4.9 COMMENTS FROM THE CHIEF FINANCIAL OFFICER ON THE REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL STATEMENTS OF MSUKALIGWA FOR THE YEAR ENDED 30 JUNE 2008

1. INTRODUCTION

Noted

2. RESPONSIBILITY OF THE ACCOUNTING OFFICER FOR THE FINANCIAL STATEMENTS

Noted

3. RESPONSIBILITY OF THE AUDITOR-GENERAL

Noted

4. BASIS OF ACCOUNTING

Noted

5. BASIS FOR QUALIFIED OPINION

5.1. Payables

A qualified opinion is received on the presentation of the financial statements with regard to the reconciliation and list of creditors supporting the amount of R10, 982,148 as disclosed in the financial statements. The creditors balance as per the financial statements has been reconciled and attached herewith. The reconciliation indicates that the amount of R3, 127,185 was paid correctly and that it was cleared from the creditors balance without any overstatement of the creditors account.

5.2. Qualified opinion

Except for the above mentioned effect of the matter described in the basis for the qualified opinion, the financial statements present fairly, in all material respects the financial position of the municipality as at 30 June 2008 in accordance with applicable legislation as set out in accounting policy and in the manner required by the MFMA for the financial year ended 30 June 2008.

6. OTHER MATTERS

6.1. Internal Controls

Noted

6.2. Non-compliance with applicable legislation

6.2.1. The annual report for 2006/2007 was in fact adopted by Council resolution LM 403/04/2008 (dated 3/04/2008)

6.2.2. The position of the risk management officer has been identified and approved with the latest organizational structure approved by Council resolution LM553/11/2008, (dated 8/12/2008) and the financial and risk management functions can be addressed after such position could be filled, however in terms of service delivery the position was not prioritized within the limited budget with regard to the total personnel structure.

6.2.3. The approval of the organizational structure (LM553/11/2008) also created the need to draft job descriptions for all positions reflected, which process was conducted through consultants as well as internal assistance to be finalized.

6.3. Matters of governance

Noted

6.4. Unaudited supplementary schedules

Noted – Refers to Appendix E1 & E2 on page 32 and 33.

E1 - Revenue & Expenditure – Actual versus Budget

E2 - Acquisition of Property, Plant & Equipment – Actual versus Budget

7. OTHER REPORTING INFORMATION

7.1. Performance information

Non compliance with regulatory requirements

The Audit findings relate only to the performance information, and do not extend to any financial statements of the Municipality. The comments from the Auditor-General have been noted.

8. APPRECIATION

Noted